

**193A—13.4 (542) Competence and technical standards.**

**13.4(1) *Competence.*** A CPA or LPA shall not undertake any engagement for the performance of professional services which the accountant or accountant's firm cannot reasonably expect to complete with due professional competence, including compliance, where applicable, with subrules 13.4(2) and 13.4(3).

**13.4(2) *Engagement standards.*** CPAs or LPAs shall not permit their names to be associated with financial statements unless they have complied with the applicable generally accepted engagement standards. The board will consider the American Institute of Certified Public Accountants Professional Standards, SAS, and SSARS as sources of interpretations of generally accepted engagement standards.

**13.4(3) *Accounting principles.*** A CPA or LPA shall not state in the CPA's or LPA's report on financial statements that the financial statements are presented in conformity with generally accepted accounting principles if such financial statements contain any departure from such accounting principles which has a material effect on the financial statements taken as a whole, unless the CPA or LPA can demonstrate that by reason of unusual circumstances the financial statements would otherwise have been misleading. In such cases the accountant's report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle(s) would result in a misleading statement. The board will consider the pronouncements issued by the Financial Accounting Standards Board and its predecessor entities as sources of interpretations of generally accepted accounting principles.

**13.4(4) *Standards and procedures or other requirements in governmental audits.*** A CPA shall not accept a governmental audit unless the CPA undertakes an obligation to follow specified government audit standards, guides, procedures, statutes, rules and regulations in addition to generally accepted auditing standards unless the CPA discloses in the accountant's report the fact that such requirements were not followed and the reasons therefor.

**13.4(5) *Requirements of governmental bodies, commissions, or other regulatory agencies.*** Many governmental bodies, commissions, or other regulatory agencies have established requirements such as audit standards, guides, rules and regulations that CPAs are required to follow in preparation of financial statements or related information, such as management's discussion or analysis, in performing attest or similar services for entities subject to the jurisdiction of the governmental bodies, commissions, or regulatory agencies. For example, the Securities and Exchange Commission, General Accounting Office, office of auditor of state, state insurance commission and other regulatory agencies have established such requirements.

A CPA shall not prepare financial statements or related information for the purposes of reporting to such bodies, commissions, or regulatory agencies, unless the CPA agrees to follow the requirements of such organizations in addition to generally accepted auditing standards, where applicable, unless the CPA discloses in the financial statements or the accountant's report that such requirements were not followed.

**13.4(6) *Negligence in the preparation of financial statements or records.*** A CPA or LPA shall be considered negligent if, in conjunction with the preparation of financial statements or records, any of the following infractions occur:

- a.* The CPA or LPA makes or permits another to make materially false or misleading entries in financial statements or records; or
- b.* The CPA or LPA fails to correct financial statements that are materially false or misleading when the member has the authority to record an entry; or
- c.* The CPA or LPA signs, or permits or directs another to sign, a document containing materially false or misleading information.

**13.4(7) *Forecasts.*** A CPA shall not in the performance of professional services permit the CPA's name to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that the accountant vouches for the achievability of the forecast.